

T H E

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G R O U P

I N C

March 13, 1998

Hon. John M. McHugh, Chairman
Subcommittee on the Postal Service
B-349C Rayburn House Office Building
Washington, DC 20515

Dear Mr. McHugh,

With regard to H.R. 22, I respectfully submit my comments regarding the sale of "non-postal products" by the US Postal Service.

As I understand it, the US Postal Service is charged with delivering postal non-competitive and competitive services to the United States. In recent years, non-postal products have appeared in US Post Offices. Here are my comments as to why they should not be there:

- ◆ **Unfair competition.** The US Postal Service has a retail outlet in *every postal zone*, or in other words, every town in America. The Postal Service has acquired this incredible retail operation through its budget to delivery postal services. This situation gives them an unfair advantage over non-postal retail businesses. There is no other retailer in America who can compete with this situation.
- ◆ **Distraction and Disruption.** I have been in my local Langhorne, PA Post Office several times now while the clerks had to leave their posts to retrieve Bugs Bunny ties from the display case to show a prospective customer. I continued to wait in line to buy certified mail service much longer than I would have if not for these non-postal products. I can only go to one supplier, the US Postal Service, for certified mail, and my lost time is very valuable to me. I have heard this complaint often from other postal customers, and from customers at other Post Offices.
- ◆ **Impractical Solution has been presented.** I understand it has been proposed to separate the postal from non-postal products so that the non-postal products could be taxed and administered separately. The thought that you could actually separate the retailing operation from the postal services is philosophically feasible but totally

impractical. Dividing rents, overheads, employee time, and keeping track of sales separately cannot be done correctly in real practice in such a huge business.

If the Congress persists in allowing the US Postal Service to gain financial benefits from its property (the design of Bugs Bunny stamps, for example), and feel that apparel or other consumer goods are a good vehicle to accomplish this, then please take a lesson from the apparel and retailing industry.

You simply need to issue a license to a for-profit business which will allow them to sell Bugs Bunny Stamp ties to any retailer in America while the US Postal Service collects a royalty from those sales. In that way:

- ◆ The American public can benefit from additional money coming into the Post Office Budget while the US Postal Service remains focused on its main function--continuously improving the postal services provided.
- ◆ The goods will be distributed by traditional retailers who are also paying taxes on their profits and who will probably be more efficient than the US Postal Service which is not in the business of retailing consumer goods.
- ◆ The Post Office cannot get "stuck" with bad inventory if their planning is poor.
- ◆ There would be no need to create new jobs at the Postal Service to handle this venture since the designs are already being developed for stamps.

If the Congress really wanted to go the extra mile, it should only allow consumer goods that would bear the Image of US Postal Designs to be manufactured in the US. As long as the sourcing would be handled by for-profit businesses, I am satisfied that no undue burden would be placed on American consumers who wanted to buy these products.

Respectfully submitted,



Douglas Scé, Partner